Message Text

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R 260700Z MAY 77 FM AMEMBASSY COLOMBO TO SECSTATE WASHDC 7365

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E.O. 11652: N/A TAGS: BDIS, CE

SUBJ: EAGLE SHIRT'S PROBLEMS

REF: A. STATE 112161; B. COLOMBO 1482

- 1. ON MAY 26, EMBOFF ACCOMPANIED EAGLE SHIRT REPRESENTATIVE WILLIAM WALLACE AND THREE OFFICIALS FROM DASA TO A MEETING WITH C.S. MENDIS OF THE SIR LANKA CUSTOMS DEPARTMENT. THE PURPOSE OF THE MEETING WAS TO RESOLVE PROBLEMS ARISING FROM EFFORTS TO RE-EXPORT APPROXIMATELY \$33,000 WORTH OF CUT GOODS.
- 2. THE GOODS, WHICH ARE STILL IN CUSTOM'S POSSESSION, WERE ORIGINALLY BROUGHT INTO THE COUNTRY FOR USE BY DASA IN PRODUCING EAGLE SHIRTS. DUE TO THE PROBLEMS OUTLINED REFTEL B, HOWEVER, DASA IS FAR BEHIND IN ITS PRODUCTION SCHEDULE, AND EAGLE WISHES TO RETURN THE CUT GOODS TO THE U.S. FOR ASSEMBLY THERE.
- 3. DURING THE MEETING, MENDIS REVIEWED THE PROCEDURES TO BE FOLLOWED IN RE-EXPORTING. CLEARANCES ARE REQUIRED FROM THE IMPORT AND EXPORT CONTROL DEPARTMENT, THE EXCHANGE CONTROL DEPARTMENT, AND FROM CUSTOMS. MOREOVER, REGULATIONS REQUIRE THAT FULL IMPORT DUTIES BE PAID (WHICH AMOUNT TO ABOUT LIMITED OFFICIAL USE

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\$21,800), OF WHICH SEVEN-EIGHTS WOULD BE REFUNDED AFTER THE GOODS LEAVE THE COUNTRY. THE REMAINING ONE-EIGHTH IS A PENALTY COST FOR RE-EXPORTING THE GOODS WITHOUT ADDING ANY LOCAL VALUE.

4. DASA OFFICIALS WERE CONCERNED THAT THE SEVEN-EIGHTHS RE-FUND COULD TAKE A LONG TIME (THEY HAVE SOME REFUND APPLICATIONS WHICH HAVE BEEN PENDING FOR MORE THAN A YEAR). MENDIS SAID HE UNDERSTOOD THEPROBLEM AND AGREED TO ALLOW THE RE-EXPORT UPON PAYMENT OF THE ONE-EIGHTH PORTION OF THE DUTY. MENDIS EXPRESSED THE VIEW THAT ALL THE REQUIRED PERMISSIONS COULD BE OBTAINED WITHIN A WEEK'S TIME.

5. AFTER THE MEETING, WALLACE AND DASA OFFICIALS FELT THAT SIGNIFICANT PROGRESS HAD BEEN MADE. WHILE MENDIS MADE THE RATHER COMPLICATED RE-EXPORT PROCEDURE SEEM RELATIVELY PAINLESS, IT REMAINS TO BE SEEN HOW QUICKLY THE CONCERNED GSL AGENCIES CAN ACT. WALLACE SAID HE WOULD KEEP THE EMBASSY INFORMED OF THEIR PROGRESS OR LACK THEREOF. REED

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